The Administration's Small Business Agenda

Contract Bundling: A Strategy for Increasing Federal Contracting Opportunities for Small Business.

"And so one of the things we're going to do is we're going to examine the federal government's contracting policies, to make sure that they encourage competition as opposed to exclude competition; to make sure that the process is open; to make sure the process helps achieve a noble objective, which is more ownership in our country. And wherever possible, we're going to insist we break down large federal contracts so that small business owners have got a fair shot at federal contracting."

President George W. Bush

- On March 19, 2002, the President unveiled his Small Business Agenda. (See http://www.whitehouse.gov/news/releases/2002/03/20020319-2.html (Also see www.sba.gov/news/smallbusinessagenda.html .) As part of the Agenda, the President called upon the Office of Management and Budget (OMB) to prepare a strategy for unbundling federal contracts.

What is Contract Bundling?

The Small Business Reauthorization Act of 1997 defines contract bundling as “consolidating two or more procurement requirements for goods or services previously provided or performed under separate, smaller contracts into a solicitation of offers for a single contract that is unlikely to be suitable for award to a small business concern.”

The Act lists several factors that might cause unsuitability for award to a small business. These are - -

- the diversity, size, or specialized nature of the elements of the performance specified;
- the aggregate dollar value of the anticipated award;
- the geographical dispersion of contract performance sites; or
- any combination of these criteria.

The Act requires each federal department and agency, to the maximum extent practicable, to: (1) structure contracting requirements to facilitate competition by and among small business concerns, taking all reasonable steps to eliminate obstacles to their participation; and (2) avoid unnecessary and unjustified bundling of contract requirements that may preclude small business participation in procurements as prime contractors.

Prior to bundling any contracts, agencies are required to conduct market research to determine whether contract bundling is necessary and justified. To justify contract bundling, agencies must demonstrate "measurably substantial benefits," such as cost savings, quality improvements, reduction in acquisition cycle times, or better terms and conditions. The Small Business Administration's implementing regulations further define "measurably substantial benefits" by requiring agencies to demonstrate - -

- for contracts of $75 million or less - - benefits equivalent to 10 percent of contract value (including options), or

- for contracts over $75 million - - benefits equivalent to 5 percent of contract value (including options) or $7.5 million, whichever is greater.

In October, 2002, OMB submitted a report to the President entitled “Contract Bundling: A Strategy for Increasing Federal Contracting Opportunities for Small Business.” The strategy outlines nine specific actions the Administration is taking to eliminate unnecessary bundling and mitigate the effects of bundling that agencies find to be necessary and justified. (For a copy of the strategy, see www.acqnet.gov/Notes/contractbundlingreport.pdf)

Contract Bundling: A Strategy for Increasing Federal Contracting Opportunities for Small Business

Executive Summary

A strategy for unbundling contracts must recognize the combined challenges and benefits of a reduced acquisition workforce and the need to maintain an overall acquisition system that is fair, efficient, and transparent. We cannot afford to revert back to the paperwork and labor-intensive system of the past. Nor can we pursue operational efficiencies at the expense of reducing small business opportunities. The challenge is to strike an appropriate balance between operational efficiency, opportunity, and fairness.

To address contract bundling in the executive branch, the following actions will be taken:

1. Ensure accountability of senior agency management for improving contracting opportunities for small business.

2. Ensure timely and accurate reporting of contract bundling information through the President's Management Council.

3. Require contract bundling reviews for task and delivery orders under multiple award contract vehicles.

4. Require agency review of proposed acquisitions above specified thresholds for unnecessary and unjustified contract bundling.

5. Require identification of alternative acquisition strategies for the proposed bundling of contracts above specified thresholds and written justification when alternatives involving less bundling are not used.

6. Mitigate the effects of contract bundling by strengthening compliance with subcontracting plans.

7. Mitigate the effects of contract bundling by facilitating the development of small business teams and joint ventures.

8. Identify best practices for maximizing small business opportunities.

9. Dedicate agency Offices of Small and Disadvantaged Business Utilization (OSDBUs) to the President's Small Business Agenda.